BULGARIA’S ECONOMIC CENTRES
Economic map of the country

- Main goals:
  - To draw an economic map of the country;
  - To distinguish the country’s leading economic centres, including their nuclei and peripheries;
  - To profile the centers and the economic processes therein – structure of the local economy, human capital, labour market, etc.
How do we define the centres?

• Grouping – done around economic nuclei;

• Nuclei: the municipal engines of local economies that attract labour (daily commuters) from nearby municipalities, and are also top performers in terms of employment and output;

• Periphery: municipalities that are most dependent on the nuclei (formal criterion – at least 10% of those employed are daily commuters to the nuclei).
A total of 20 leading economic centres;
No “break points” between economic centres to the south of the Balkan mountain; smooth transition from one centre to another
Northern Bulgaria – isles of economic activity;
The only exception: the agglomeration of three interconnected centres in Northeastern Bulgaria – Varna, Shumen and Targovishte that encompass a total of 17 municipalities
Worse road infrastructure to the north of the Balkan mountain – most possibly a part of the explanation
• Clustering of several economic centres on both sides of the Balkan mountain in Central Bulgaria – a couple of centres around Stara Zagora to the south plus the Gabrovo-Sevlievo and Veliko Turnovo centres to the north;

• Yet, lack of adequate infrastructure connectivity through the mountain;

• Otherwise natural connections between economically active territories are hindered and their growth potential is capped.
Three main types of economic centres:

- Big economic centres with a strong nucleus and a wide periphery – e.g. those around Sofia and Plovdiv;

- Relatively small centres whose periphery is limited only to a couple of neighbouring municipalities - e.g. Ruse, Pleven, Shumen;

- Specific economic centres with a rather limited or non-existing periphery – Gabrovo-Sevlievo, Stara Zagora, Kazanlak, Radnevo.
Output (thousand BGN, 2015)

- Sofia, 43%
- Plovdiv, 9%
- Bourgas, 7%
- Varna, 7%
- Ruse, 3%
- Stara Zagora, 2%
- Other economic centres, 15%
- Rest of the country, 14%
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Processes

• Continued concentration of economic activity in the centres;
• 2011 - 85% of the country’s output produced in the 20 economic centres; in 2015 this share was already 86%;
• Possible explanations: good infrastructure, market scale, synergies with existing businesses, attractive social environment, etc.
• Perspective – formation of a mega-centre along the Sofia-Pazardzhik-Plovdiv-Stara Zagora-Burgas axis
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<tbody>
<tr>
<td>Sofia</td>
<td>1,174</td>
<td>1,592,455</td>
<td>3.5</td>
<td>63.8</td>
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<td>Pernik</td>
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Economy and investment
Sofia economic centre

• Pernik – a secondary, albeit much smaller, nucleus;
• 94% of output concentrated in Sofia municipality, another 2% - in Pernik municipality;
• Trade accounts for the biggest share of output, 20%, followed by manufacturing (16%) and the ICT sector (11%);
• In 2011-2015 г. trade (+43%) and construction (+42%) grew the most; professional activities followed suit (+33%) due to the rapid expansion of the outsourcing business.
Labour market
Sofia economic centre

• 92% of the employees work in Sofia, 3% - in Pernik;
• Highest salaries – in ICT, followed by finance; lowest – in tourism;
• Low unemployment – less than 3.5% in Sofia, between 5 and 12% in most of the periphery;
• One of few economic centres with growing population (by 4% since 2001); nevertheless, natural growth rate remains negative;
• 7 of the 10 top performing schools at matriculation exams – in Sofia;
• The Sofia university has the highest rating in leading majors (law, psychology, social sciences, chemistry, physics, maths, etc.)
• Almost 1/3 of the centre’s population – with higher education; about 8% - with primary or lower education
Unemployment in the Sofia economic centre, 2011-2016 (%)
Average wages in the Sofia economic centre, 2015 (%)
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<tr>
<td><strong>Average gross monthly salary (2015), BGN</strong></td>
<td>771</td>
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<tr>
<td><strong>Population (2016)</strong></td>
<td>568,065</td>
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<td><strong>Unemployment rate (2016), %</strong></td>
<td>6.2</td>
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<td><strong>Working age population (2016), %</strong></td>
<td>61.5</td>
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Economy and investment
Plovdiv economic centre

• Almost 2/3 of the centre’s output – in Plovdiv municipality;
• Manufacturing generates more than 50% of output, followed by trade and construction (with 10% each);
• 76% of the attracted FDI – in industry, which is one of the reasons for the spectacular development of Trakia economic zone;
• Total FDI inflow – more than 1.5 bn as of end-2015
Labour market

Plovdiv economic centre

- 73% of employees in the centre work in Plovdiv municipality;
- Top employers – manufacturing (32%) and commerce (15%);
- Unemployment in the nuclei – around 4%;
- Salaries – highest in energy sector, lowest in tourism;
- Net migration – positive, mainly due to inflow of people to Plovdiv;
- Yet population declines; 60% of those in working age – in Plovdiv;
- The centre offers diverse professional education – agriculture, textiles, tourism, food manufacturing, mechatronics, metallurgy, etc.;
- 21% of the population - with higher education, 43% - with secondary;
- Quality of education – close the country average, but all peripheral municipalities cannot achieve a result above Good 3.50
Unemployment in Plovdiv economic centre (2011-2016, %)
Average wages in Plovdiv economic centre, 2015 (%)

- Plovdiv economic centre: 771
- Plovdiv municipality: 796
- Country average: 878
**Varna**

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<tr>
<td><strong>Average gross monthly salary (2015), BGN</strong></td>
<td>835</td>
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<tr>
<td><strong>Population (2016)</strong></td>
<td>459,790</td>
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<td><strong>Unemployment rate (2016), %</strong></td>
<td>6.1</td>
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<tr>
<td><strong>Working age population (2016), %</strong></td>
<td>62.5</td>
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Economy and investment

Varna economic centre

- 75% of output – in Varna municipality, 15% - in the secondary nucleus Devnya;
- A well diversified economy – manufacturing holds 25%, construction – 17%, and trade – 12%;
- The only sector to shrink in 2011-2015 period – energy (-21%) due to the closure of Varna thermal power station;
- Main recipient of FDI in last few years – construction due to sea resorts expansion; most cumulative FDI to date – industry (80% of these - in Devnya)
Labour market
Varna economic centre

• Employees – relatively equally distributed among sectors, with trade (19%) and manufacturing (14%) holding the biggest shares;
• Unemployment in the centre – around 6%, due primarily to the low unemployment in Varna municipality (3.4%);
• Population rises; it was 6% higher in 2016 against 2001 – main reasons: positive net migration that reaches 1‰ in some years;
• Working age population - 63% in 2016 (against 60% in 2001);
• Professional education in tourism, electrotechnics, sailing, geodesy, forestry, culinary, etc;
• The best secondary school outside Sofia – in Varna
• Higher-than-average results at matriculation exams
Unemployment in Varna economic centre (2011-2016, %)

- Varna municipality
- Devnya municipality
- Varna economic centre
- Country average
Wages in Varna economic centre, 2015 (%)
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<th>Gabrovo-Sevlievo</th>
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<tr>
<td>Average gross monthly salary (2015), BGN</td>
<td>750</td>
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<tr>
<td>Population (2016)</td>
<td>93,553</td>
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<td>Unemployment rate (2016), %</td>
<td>4.9</td>
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<td>Working age population (2016), %</td>
<td>55.7</td>
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Specific economic centres – Gabrovo-Sevlievo

• Two nuclei and no periphery, substantial number of daily commuters in both directions;

• Rather high share of manufacturing - 67% of the output of the centre (75% of Sevlievo’s output due to several large-scale plants);

• The economic expansion of the two nuclei moves in parallel – 15% growth in Gabrovo and 16% in Sevlievo in 2011-2015 period;

• Yet Sevlievo has attracted much more FDI to date.
Labour market in Gabrovo-Sevlievo

• Biggest challenge – demography; population loss of more than 30,000 since 2001;
• Natural growth strongly negative (-12.5‰ in 2016), net migration at -4‰;
• Decline of employees by 4% in 2011-2015; most of the employee loss – in Gabrovo, due to faster decline of working age population)
• Biggest decline of employees (-51%) – in real estate, biggest growth – in ITC (+37%);
• Relatively low salaries (BGN 750); ITC wages – fastest rise;
• One of the economic centres with lowest unemployment – 4.9% in 2016
Unemployment in the Gabrovo-Sevlievo centre, 2011-2016 (%)
Economic centres around Stara Zagora
Key characteristics of the centres around Stara Zagora

• Several economic centres that are close geographically;
• Sharing of a common periphery (Muglizh municipality) by the Stara Zagora and Kazanlak centres;
• Different economic profiles: Radnevo – mostly energy, Kazanlak – manufacturing, Stara Zagora – more diverse profile with a dominant share of industry;
• Stara Zagora centre - demographic trends in line with national average; education quality – relatively good
• Negative demography and education processes in Radnevo and Kazanlak centres
Stara Zagora centres - perspectives

• The Zagore economic zone – a likely factor for the future expansion and consolidation of the centres
• A new economic centre emerging around Galabovo and its merger with the agglomerate around Stara Zagora;
• A potential improvement of road connectivity across the Balkan mountain - key to the emergence of a competitive economic belt with Gabrovo-Sevlievo and Veliko Turnovo;
• Closer ties with the Sopot economic centre.
Thank You!

Q&A